8/9/88

VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 334 **July, 1988**

Business in Virginia June , 1988

Virginia seems to be travelling a hilly road. In April the growth rates for most of our indicators went downhill. Then in May they climbed again, for the most part reaching respectable heights. Now, the June results show the growth rates slid into another valley. Of the seven indicators for which we have June data, four fell below last year's levels; and the growth rates for the other three were under 4 percent.

The growth rates will climb again in the coming months since the underlying fundamentals, jobs and income, are continuing to grow strongly and steadily. The erratic monthly results, though, are signs the post-1982 economic expansion is beginning to show its age. We still expect 1988 to be a great year for Virginia, as predicted in the June issue; but the evidence is mounting in support of our forecast of slower growth in 1989.

In June, new car registrations fell 8.4 percent statewide compared to the same month last year. Bank debits dropped by 8.4 percent, signalling less total spending than a year ago.

The other two negatives for June were electricity consumed and our retail sales sample, both down 1.4 percent. For retail sales, that is the fifth consecutive month in which sales per store by our sample has decreased compared to the same months last year, and the cumulative January-June result is a drop of 1.4 percent. As we discussed last month, competition among retailers, particularly the general merchandise types that dominate our sample, has been fierce this year as new facilities seem to have outstripped the meager growth in consumer demand.

On the plus side, building permits edged up 1.3 percent statewide. In reality that is a very weak performance since in June 1987 building permits fell 35 percent - a 1.3 percent recovery leaves us over 34 percent below the June 1986 levels. The cumulative January-June increase is 11.0 percent, still double-digit but falling. [While discussing building permits, it is appropriate to correct an error in last month's tables. Roanoke building permits declined 7.8 percent in May, yielding a cumulative January-May gain of 44.4 percent. The corrected state values for building permits are: May, +26.8 percent; and cumulative, +14.3 percent.]

The nonagricultural employment figures for May showed a 3.9 percent increase, still very strong growth. The taxable sales results for May (last column in Table II) are less encouraging. This May's sales statewide were only 2.0 percent higher than a year ago and were down in many localities. The Virginia gain is well below the nationwide May increase of 4.7 percent for retail trade excluding autos (measured May to May). Virginia's households are experiencing stronger income growth than the nation, as described in our second article. As noted before, the slow growth recently in Virginia's retail sales indicates a reluctance, not an inability, to buy.

RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

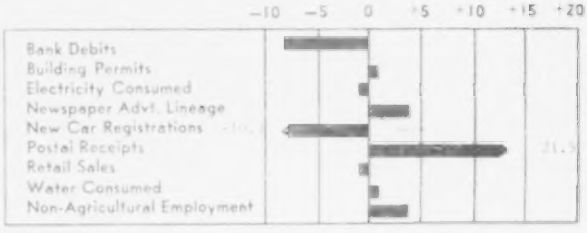
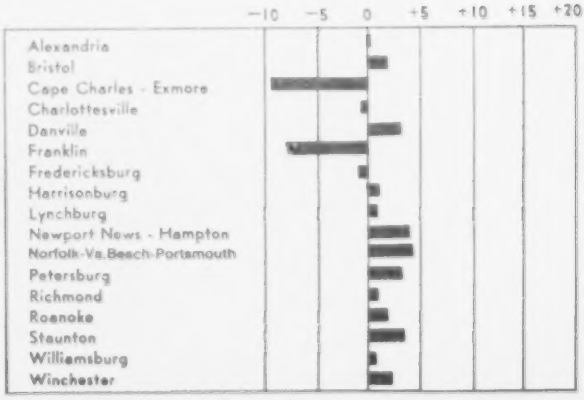


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I June, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State	115.4	286.1	96.0	112.0	109.1	104.0	100.0	161.7	409.4
Alexandria	133.2	346.3	172.2	114.0	N.A.	110.1	104.0	125.8	149.9	N.A.
Bristol	136.8	N.A.	172.2	114.0	90.8	110.1	104.0	125.8	149.9	336.6
Cape Charles - Exmore	140.3	N.A.	136.8	114.0	N.A.	110.1	104.0	N.A.	125.8	267.1
Charlottesville	133.6	334.1	140.8	114.0	N.A.	110.1	104.0	149.5	205.7	332.6
Danville	132.3	N.A.	140.8	114.0	116.8	110.1	104.0	91.1	N.A.	265.6
Franklin	133.3	N.A.	140.8	114.0	116.8	110.1	104.0	91.1	132.1	308.8
Fredericksburg	139.1	341.9	148.8	114.0	121.9	110.1	N.A.	89.1	234.9	N.A.
Harrisonburg	140.1	298.9	148.8	114.0	116.8	110.1	N.A.	N.A.	178.4	321.8
Lynchburg	137.1	318.8	148.8	114.0	N.A.	110.1	104.0	118.9	187.0	1049.7
Newport News - Hampton	119.1	N.A.	104.4	114.0	96.1	110.1	104.0	102.3	141.3	N.A.
Norfolk - Portsmouth	120.8	302.9	104.4	114.0	96.1	110.1	104.0	88.1	208.3	N.A.
Petersburg	122.7	300.1	104.4	N.A.	96.1	110.1	104.0	111.5	128.8	246.9
Richmond	123.3	306.2	104.4	114.0	102.8	110.1	104.0	129.3	160.0	378.6
Roanoke	126.1	N.A.	92.8	114.0	116.8	110.1	104.0	116.3	127.2	417.1
Staunton	130.1	296.3	104.4	N.A.	N.A.	110.1	N.A.	N.A.	216.9	234.0
Williamsburg	130.2	338.2	116.0	114.0	N.A.	110.1	N.A.	110.2	161.3	392.0
Winchester	130.1	300.9	104.4	114.0	116.8	110.1	N.A.	N.A.	N.A.	N.A.

TABLE II June, 1988

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	May RETAIL SALES ‡
The State	-0.6	-0.9	-11.4	-2.8	-3.9	-10.2	1.9	1.7	-1.4	2.0
Alexandria	0.3	10.0	11.6	0.2	14.1	-7.4	2.9	19.5	-6.9	3.0
Bristol	1.2	8.6	-23.1	0.2	-4.0	-4.9	2.9	19.7	-1.7	2.9
Cape Charles - Exmore	-4.1	0.0	0.0	0.2	14.1	-26.9	N.A.	-11.6	-3.3	-15.3
Charlottesville	-0.5	-0.6	-11.4	0.2	14.1	-7.4	2.9	2.9	-1.0	-2.6
Danville	0.3	9.6	-23.1	0.2	14.1	-26.9	2.9	2.9	N.A.	22.1
Franklin	0.0	8.6	-23.1	0.2	14.1	-26.9	N.A.	-7.6	1.2	-48.8
Fredericksburg	1.3	-2.0	-11.4	0.2	14.1	-7.4	N.A.	16.1	-8.9	-5.3
Harrisonburg	1.1	10.0	11.6	0.2	14.1	-26.9	N.A.	N.A.	1.3	12.6
Lynchburg	1.1	8.7	-23.1	0.2	N.A.	-7.4	2.9	2.9	-2.8	-1.8
Newport News - Hampton	1.1	N.A.	-23.1	0.2	14.1	-26.9	2.9	-10.0	-1.1	-8.6
Norfolk - Va. Beach - Portsmouth	1.1	-0.6	-23.1	0.2	14.1	-26.9	2.9	-2.6	-1.1	-2.8
Petersburg	1.1	-0.8	-23.1	N.A.	14.1	-26.9	2.9	-4.6	0.9	-3.0
Richmond	1.1	11.2	-23.1	0.2	14.1	-26.9	2.9	15.3	-0.7	5.3
Roanoke	1.1	13.3	-23.1	0.2	14.1	-26.9	-2.1	-4.6	3.5	8.5
Staunton	1.1	-1.0	-23.1	N.A.	N.A.	-26.9	N.A.	N.A.	10.8	-7.9
Williamsburg	1.1	-1.0	-23.1	0.2	N.A.	-26.9	N.A.	4.1	5.4	-1.3
Winchester	1.1	11.2	-23.1	0.2	14.1	-26.9	N.A.	N.A.	N.A.	9.5

TABLE III

Percentage Change January - June 1988 over same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	Jan.-May NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-May RETAIL SALES ‡
The State	-0.1	1.1	-11.0	-0.8	0.1	4.4	4.1	1.3	-1.4	4.6
Alexandria	-0.1	11.0	-23.1	0.2	14.1	-7.4	6.1	1.7	-7.7	0.7
Bristol	0.2	9.6	-23.1	0.2	14.1	-26.9	5.9	1.5	-6.0	-0.1
Cape Charles - Exmore	-0.9	0.0	-23.1	0.2	14.1	-26.9	N.A.	10.3	-12.5	-6.7
Charlottesville	0.3	10.8	-2.8	1.7	N.A.	4.4	5.8	1.8	6.5	10.0
Danville	0.4	9.6	-23.1	0.2	14.1	-26.9	2.1	-9.2	N.A.	17.8
Franklin	-0.3	9.6	-23.1	0.2	14.1	-26.9	N.A.	-9.9	-1.1	-21.6
Fredericksburg	0.3	0.0	-23.1	0.2	14.1	-7.4	N.A.	21.0	0.0	0.2
Harrisonburg	0.4	9.6	-23.1	0.2	14.1	-26.9	N.A.	N.A.	2.1	12.6
Lynchburg	0.3	8.7	-23.1	0.2	N.A.	-7.4	5.9	0.6	0.3	-0.1
Newport News - Hampton	0.3	N.A.	-23.1	0.2	14.1	-26.9	5.9	-7.8	-1.2	-4.0
Norfolk - Va. Beach - Portsmouth	0.3	-0.6	-23.1	0.2	14.1	-26.9	5.9	3.2	0.6	-0.8
Petersburg	0.3	-0.8	-23.1	N.A.	14.1	-26.9	5.9	9.8	0.9	0.0
Richmond	0.3	11.2	-23.1	0.2	14.1	-26.9	5.9	8.3	-2.6	5.2
Roanoke	0.3	13.3	-23.1	0.2	14.1	-26.9	-2.0	4.3	0.3	11.9
Staunton	0.3	-1.0	-23.1	N.A.	N.A.	-26.9	N.A.	N.A.	12.7	-2.4
Williamsburg	0.3	-1.0	-23.1	0.2	N.A.	-26.9	N.A.	5.8	1.3	0.2
Winchester	0.3	9.8	-23.1	0.2	N.A.	-26.9	N.A.	N.A.	N.A.	11.4

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
?Only total MSA data are available for these areas

N.A. — Not Available
O.O. — No Change

Virginia Income and Earnings, First Quarter 1988

If you evaluate Virginia as a business, how well are we doing? And, how do we compare to our competition, the other forty-nine states? The Commerce Department's Bureau of Economic Analysis released July 20 their estimates of state personal income for the first quarter of 1988. These estimates in effect are the quarterly income and earnings statements for our fifty states.

First, a national perspective. In the first quarter compared to the fourth quarter of last year, personal income growth slowed in forty-seven states. Only Montana, Idaho, and Oklahoma experienced stronger growth during the first quarter than the fourth. The fourth quarter U.S. growth rate measured as a seasonally adjusted annual rate (SAAR) was 11.8 percent. That fell to 3.0 percent, SAAR, in the first quarter. Some general factors influenced individual states, such as lower farm subsidy payments in some states and large auto industry bonuses concentrated in Michigan and Ohio. The general slowdown, though, was not the result of special factors.

Virginia's personal income growth also decelerated in the first quarter, but not nearly as much as the national average. The Commonwealth's fourth quarter growth rate was 9.1 percent , SAAR, slipping modestly to 6.9 percent, SAAR, in the first quarter. That 6.9 percent rate is over twice the nation's 3.0 percent pace.

That 6.9 percent rate also gives Virginia the eighth highest income growth rate among all states for the first quarter of 1988. From a business perspective, Virginia clearly retains its status as a "Blue-Chip" growth state.

So far, our growth has been measured between adjacent quarters, the fourth and the first. Such a measure reveals the current pulse of the economy, showing whether or not we have altered our pace in recent months. Another useful indicator is the growth rate year-over-year, or from the same quarter in the preceding year. Such a rate shows the cumulative gain over the past four quarters, how much better off we are now than a year ago.

Nationwide, the first quarter to first quarter advance for personal income was 6.3 percent. In Virginia, the gain was 7.9 percent, well above the average. This 7.9 percent growth was the eighth highest year-over-year rise among the states. Therefore, Virginia's first quarter 1988 income growth ranked in eighth place nationally measured both fourth-to-first quarter (6.9 percent) and first-to-first (7.9 percent). That identical ranking illustrates our first quarter 1988 performance is not merely an isolated event but the culmination of four quarters of superior growth. Consistency and balance have been two prominent attributes of Virginia's growth in the 1980s, so much so that we sometimes take them for granted. However, those attributes are not so common across the nation. For example, no other state ranked in the top ten by one of the growth measures also placed in the top ten by the other measure.

Virginia's 7.9 percent income growth from the first quarter of 1987 to first quarter 1988 is consistent with our 1988 forecasts in the June issue. For the year, we predicted resident personal income will rise by 8.3 percent, up from a 7.6 percent increase in 1987. The actual first quarter rate of 7.9 percent confirms that Virginia's income growth (before adjusting for inflation) is slightly higher than last year and most likely will exceed eight percent for the entire year.

With high income growth goes new heights in the level of income. At a seasonally adjusted annual rate, Virginia's total personal income received by residents reached $101.2 billion in the first quarter, putting us over $100 billion for the first time. That bolsters our prediction that the average for the year will be $104.4 billion.

So far, we have only reported on the personal income received by Virginia residents. That is a very broad measure, including all receipts whether or not they were earned by work during the current quarter. Another important indicator is earnings by place of work, what is earned by payroll workers and sole proprietors for their labor in Virginia.

Table IV shows not only the level and growth rates for resident personal income but also for total earnings, place of work, and earnings by industry. The middle two columns give adjacent-quarter growth rates converted to annual rates (SAAR) for third-to-fourth quarter and fourth-to-first. A comparison of those two columns reveals whether or not earnings growth slowed down in the first quarter compared to the pace in the fourth. Then, the last column reports the year-over-year change, how far the first quarter of 1988 is above the first quarter of 1987.

Looking to the middle two columns, overall earnings growth in the first quarter at 8.6 percent, SAAR, was slightly better than the 8.4 percent pace in the fourth quarter. The first quarter, though, was dampened by a 28.8 percent drop (SAAR) in farm earnings. Nonfarm earnings increased by 8.9 percent in the first quarter, clearly better than the 8.2 percent for the fourth quarter.

During the first quarter, there was substantial acceleration to double-digit growth in five sections: agricultural services, forestry and fisheries (soaring to a 39.8 percent annual rate of growth); wholesale trade (to 13.6 percent) and retail trade (to 14.6 percent); military earnings (to 18.5 percent); and state and local government (to 11.4 percent). Thus, compared to the fourth quarter, we experienced a first quarter surge in government, trade, and natural resource-based industries.

Taking the longer one-year view, comparing the first quarter of 1988 to the first quarter of 1987, gives a somewhat different picture. Earnings in wholesale and retail trade have been strong, but they have not grown year-over-year at a double-digit pace. Instead, we find services achieved a 11.6 percent increase, 1987:1 – 1988:1. Mining also stood more than 10 percent above last year, up 11.7 percent 1987:1 – 1988:1, even though the first quarter level was the same as the fourth quarter. Similarly, construction earnings were 11.3 percent above a year ago even though growth slowed from the fourth to the first quarter.

In sum, the star industries over the four-quarter period have been food and timber-based industries (+12.7 percent), mining (+11.7 percent), services (+11.6 percent), construction (+11.3 percent), state and local government (+10.4 percent), plus farm earnings (+10.2 percent). More important, however, the last column of Table IV shows all of Virginia's industry sectors, public and private, achieved first quarter 1987 to first quarter 1988 growth exceeding 4 percent. Therefore, real (inflation-adjusted) gains occurred in all sectors, reaffirming the breadth and balance of Virginia's growth. RLP

TABLE IV VIRGINIA PERSONAL INCOME AND EARNINGS, AT SEASONALLY ADJUSTED ANNUAL RATES

	Bill. $, 1988:Q1	% Change, 1987:Q3-1987:Q4	% Change, 1987:Q4-1988:Q1	% Change, 1987:Q1-1988:Q1
TOTAL PERSONAL INCOME	$101.2	9.1%	6.9%	7.9%
EARNINGS, PLACE OF WORK	$73.6	8.4%	8.6%	8.3%
EARNINGS BY INDUSTRY:				
FARM	$0.5	36.1%	-28.8%	10.2%
NONFARM	73.1	8.2%	8.9%	8.3%
PRIVATE	54.9	8.3%	8.0%	8.7%
AGRI. SERV., FOR., FISHERIES	0.3	18.7%	39.8%	12.7%
MINING	0.9	24.8%	0.0%	11.7%
CONSTRUCTION	5.8	16.3%	8.1%	11.3%
MANUFACTURING	11.3	4.6%	4.0%	4.9%
NONDURABLE GOODS	5.6	0.6%	-0.9%	5.3%
DURABLE GOODS	5.7	8.7%	9.2%	4.4%
TRANS. & PUBLIC UTILITIES	5.1	6.5%	6.8%	6.9%
WHOLESALE	3.8	6.6%	13.6%	7.7%
RETAIL	7.0	-0.9%	14.6%	8.7%
FINANCE, INS., REAL ESTATE	4.0	1.4%	6.2%	6.3%
SERVICES	16.6	14.2%	7.5%	11.6%
GOVERNMENT	18.2	8.0%	11.7%	7.3%
FEDERAL CIVILIAN	5.6	11.5%	6.7%	5.9%
MILITARY	4.8	3.2%	18.5%	4.4%
STATE & LOCAL	7.7	8.5%	11.4%	10.4%

The Virginia Business Report is published monthly except in December by the Bureau of Business Research. The publication is provided free of charge as a public service. For information call the Bureau at (804) 253-4493.

Roy L. Pearson Director, Bureau of Business Research
John C. Jamison, Dean, School of Business Administration

COLLEGE OF WILLIAM AND MARY
BUREAU OF BUSINESS RESEARCH
SCHOOL OF BUSINESS ADMINISTRATION
WILLIAMSBURG, VIRGINIA 23185

Non-Profit
Organization
U.S. Postage
PAID
Williamsburg
Virginia
Permit No. 26

ADDRESS CORRECTION REQUESTED